

**TOWN OF PONOKA**  
**Financial Statements**  
**Year Ended December 31, 2019**

## INDEPENDENT AUDITOR'S REPORT

### **To the Mayor and Council of the Town of Ponoka**

#### *Opinion*

We have audited the accompanying consolidated financial statements of the Town of Ponoka, which comprise the statements of financial position as at December 31, 2019, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Ponoka as at December 31, 2019 and the results of its operations, change in its net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

#### *Basis of Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town of Ponoka in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Town's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

Independent Auditor's Report to the Mayor and Council of Town of Ponoka (continued)

- error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Report on Other Legal and Regulatory Requirements*

Debt Limit Regulation:

- In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 9.

Supplementary Accounting Principles and Standards Regulation:

- In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 13.

Ponoka, Alberta  
May 12, 2020

*Rowland Parker & Associates LLP*  
ROWLAND, PARKER & ASSOCIATES LLP  
Chartered Professional Accountants

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Ponoka is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

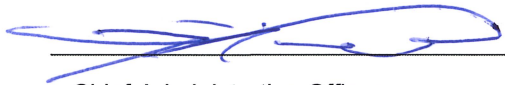
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized, and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through Council. The Council meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Council with and without the presence of management. The Town Council has approved the consolidated financial statements.

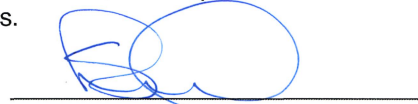
The consolidated financial statements have been audited by Rowland, Parker & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Chief Administrative Officer

May 12, 2020

Ponoka, Alberta



General Manager Corporate Services

May 12, 2020

Ponoka, Alberta

**TOWN OF PONOKA**

**Consolidated Statement of Financial Position  
as at December 31, 2019**

	2019	2018
<b>Financial Assets:</b>		
Cash and temporary investments (Note 2)	\$ 11,907,033	9,952,880
Receivables		
Taxes and grants in place of taxes (Note 3)	399,437	377,249
Local improvement taxes receivables (Note 3)	768,180	951,473
Trade and other receivables (Note 3)	1,421,969	3,953,213
Investments (Note 4)	40	40
Land held for resale	816,276	816,276
Other Assets	175,000	175,000
	<b>15,487,935</b>	<b>16,226,131</b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	1,828,145	1,827,678
Deposits liabilities	342,059	349,026
Deferred revenue (Note 5)	2,999,597	3,657,178
Employee benefit obligations (Note 6)	232,382	184,106
Long term debt (Note 7)	6,338,139	6,852,872
Obligation under capital lease (Note 8)	8,780,593	8,942,257
	<b>20,520,915</b>	<b>21,813,117</b>
<b>Net financial assets (debt)</b>	<b>(5,032,980)</b>	<b>(5,586,986)</b>
<b>Non-Financial assets</b>		
Tangible capital assets (Schedule 2)	67,255,028	68,212,803
Inventory for consumption	488,209	545,106
Prepaid expense	110,194	25,643
	<b>67,853,431</b>	<b>68,783,552</b>
<b>Accumulated Surplus (Note 11)</b>	<b>\$ 62,820,451</b>	<b>63,196,566</b>

Contingencies (Note 15) and Commitments (Note 16)

**TOWN OF PONOKA**

**Consolidated Statement of Operations  
as at December 31, 2019**

	Budget (Unaudited)	2019	2018
<b>Revenue:</b>			
Net municipal taxes (Schedule 3)	\$ 6,717,730	<b>6,710,642</b>	7,124,287
User fees and sale of goods	8,622,850	<b>8,337,617</b>	7,929,281
Rentals	720,050	<b>680,405</b>	609,330
Licenses and permits	203,000	<b>118,671</b>	247,048
Penalties and costs of taxes	95,000	<b>90,136</b>	99,257
Fines	81,500	<b>66,250</b>	79,725
Investment income	110,000	<b>229,607</b>	196,138
Development levies	-	-	-
Franchise and concession	360,000	<b>412,438</b>	378,578
Government transfers for operating (Schedule 4)	1,209,670	<b>1,235,445</b>	1,268,936
Other	315,830	<b>204,429</b>	169,525
<b>Total Revenue</b>	<b>18,435,630</b>	<b>18,085,640</b>	18,102,105
<b>Expenses</b>			
Legislative	285,130	<b>495,940</b>	337,919
Administration	4,397,647	<b>3,399,211</b>	2,830,489
Protective services	2,197,083	<b>2,054,112</b>	2,116,715
Public works	4,144,727	<b>3,607,365</b>	3,542,759
Electrical	3,049,094	<b>3,200,158</b>	2,821,805
Environmental services	4,083,780	<b>3,806,602</b>	4,097,429
Community services	414,656	<b>393,894</b>	413,534
Planning and development	594,917	<b>462,433</b>	528,037
Parks and recreation	2,335,665	<b>3,192,277</b>	2,068,385
Culture	118,045	<b>533,924</b>	429,279
<b>Total Expenses</b>	<b>21,620,744</b>	<b>21,145,916</b>	19,186,351
<b>Deficiency of revenue over expenses - before other</b>	<b>(3,185,114)</b>	<b>(3,060,276)</b>	(1,084,246)
<b>Other</b>			
Contributed assets	8,000	<b>8,000</b>	-
Government transfers for capital (Schedule 4)	5,930,122	<b>2,676,161</b>	1,337,256
<b>Excess (deficiency) of revenues over expenses</b>	<b>2,753,008</b>	<b>(376,115)</b>	253,010
<b>Accumulated Surplus, beginning of the year</b>	<b>63,196,566</b>	<b>63,196,566</b>	62,943,556
<b>Accumulated Surplus, end of the year</b>	<b>\$ 65,949,574</b>	<b>62,820,451</b>	63,196,566

**TOWN OF PONOKA**

**Consolidated Statement of Change in Net Financial Assets (Debt)  
For the Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018
<b>Excess (Deficiency) of Revenues over Expenses \$</b>	2,753,008	<b>(376,115)</b>	253,010
Acquisition of tangible capital asset	(5,899,225)	<b>(2,473,593)</b>	(12,580,260)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	<b>56,952</b>	511,139
Amortization of tangible capital assets	2,343,600	<b>2,305,253</b>	2,109,127
Capital projects abandoned (expensed)	-	-	50,001
Writedown of tangible capital assets	-	<b>848,882</b>	-
(Gain) loss on sale of tangible capital assets	-	<b>220,282</b>	107,619
	(3,555,625)	<b>957,776</b>	(9,802,374)
Net (acquisition) use of supplies inventory	-	<b>56,896</b>	(71,372)
Net (acquisition) use of prepaid assets	-	<b>(84,551)</b>	(7,481)
	-	<b>(27,655)</b>	(78,853)
<b>Decrease (increase) in net debt</b>	(802,617)	<b>554,006</b>	(9,628,217)
<b>Net financial assets (debt), beginning of year</b>	(5,586,986)	<b>(5,586,986)</b>	4,041,231
<b>Net financial assets (debt), end of year</b>	\$ (6,389,603)	<b>(5,032,980)</b>	(5,586,986)

**TOWN OF PONOKA**

**Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2019**

	2019	2018
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess (deficiency) of revenues over expenses	\$ (376,115)	253,010
Non-cash items included in excess (deficiency) of revenues over expenses:		
Amortization of tangible capital assets	2,305,253	2,109,127
Loss (gain) on disposal of tangible capital assets	220,282	107,619
Writedown of tangible capital assets	848,882	-
Capital projects abandoned and expensed	-	50,001
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	161,104	(226,981)
Decrease (increase) in trade and other receivable	2,531,244	(584,765)
Decrease (increase) in land held for resale	-	-
Decrease (increase) in inventory for consumption	56,896	(71,372)
Decrease (increase) in prepaid expenses	(84,551)	(7,481)
Increase (decrease) in accounts payable and accrued liabilities	468	17,883
Increase (decrease) in deposits liabilities	(6,967)	(7,926)
Increase (decrease) in employee benefit obligations	48,276	(5,776)
Increase (decrease) in other current liabilities	-	-
Increase (decrease) in deferred revenues	(657,581)	1,222,798
Cash provided by operating transactions	5,047,191	2,856,137
<b>Capital</b>		
Acquisition of tangible capital assets	(2,473,593)	(12,580,260)
Proceeds on sale of tangible capital assets	56,952	511,137
Cash used in capital transactions	(2,416,641)	(12,069,123)
<b>Financing</b>		
Borrowing debt issued	-	9,520,772
Borrowing debt repaid	(676,397)	(605,888)
Cash provided by (used in) financing transactions	(676,397)	8,914,884
<b>Change in cash and cash equivalents during year</b>	<b>1,954,153</b>	<b>(298,102)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,952,880</b>	<b>10,250,982</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 11,907,033</b>	<b>9,952,880</b>



**TOWN OF PONOKA**  
**Schedule 1**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2019**

	Unrestricted Surplus	Restricted Surplus	Equity in Capital Assets	2019	2018
<b>Balance, beginning of year</b>	\$ 4,778,498	6,000,394	52,417,674	<b>63,196,566</b>	62,943,556
Excess (deficiency) of revenues over expenses	(376,115)	-		<b>(376,115)</b>	253,010
Current year funds restricted	(1,870,095)	1,870,095	-	-	-
Restricted funds used for operations	780,847	(780,847)	-	-	-
Restricted funds used for tangible capital assets	-	(319,295)	319,295	-	-
Current year funds used for tangible capital assets	(2,154,297)	-	2,154,297	-	-
Contributed tangible capital assets	-	-	-	-	-
Proceeds on borrowing used for tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	277,234	-	(277,234)	-	-
Writedown of tangible capital assets	848,882	-	(848,882)	-	-
Annual amortization expense	2,305,252	-	(2,305,252)	-	-
Borrowing repaid	(676,398)	-	676,398	-	-
Change in accumulated surplus	(864,690)	769,953	(281,378)	<b>(376,115)</b>	253,010
<b>Balance, end of year</b>	\$ 3,913,808	6,770,347	52,136,296	<b>62,820,451</b>	63,196,566

**TOWN OF PONOKA**  
**Schedule 2**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2019**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2019	2018
<b>Cost</b>								
Balance, beginning of year	\$ 6,483,052	25,355,252	77,775,571	8,610,160	2,188,686	610,549	<b>121,023,270</b>	109,856,599
Acquisition of tangible capital assets	-	199,606	78,320	471,798	-	1,723,869	<b>2,473,593</b>	12,580,259
Projects completed	-	-	684,876	-	-	(684,876)	-	-
Projects abandoned/ expensed	-	-	-	-	-	-	-	(50,001)
Disposal of tangible capital assets	-	(283,377)	(8,998)	(523,051)	(100,138)	-	<b>(915,564)</b>	(1,363,587)
Adjustments	-	-	(273,097)	273,097	-	-	-	-
Balance, end of year	6,483,052	25,271,481	78,256,672	8,832,004	2,088,548	1,649,542	<b>122,581,299</b>	121,023,270
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	8,100,877	39,651,986	3,992,270	1,065,334	-	<b>52,810,467</b>	51,446,170
Annual amortization	-	499,438	1,300,128	431,644	74,042	-	<b>2,305,252</b>	2,109,127
Accumulated amortization on disposals	-	(131,382)	(6,771)	(400,039)	(100,138)	-	<b>(638,330)</b>	(744,830)
Writedown of capital assets	-	-	848,882	-	-	-	<b>848,882</b>	-
Adjustments	-	-	(523,250)	523,250	-	-	-	-
Balance, end of year	-	8,468,933	41,270,975	4,547,125	1,039,238	-	<b>55,326,271</b>	52,810,467
<b>Net book value</b>	<b>6,483,052</b>	<b>16,802,548</b>	<b>36,985,697</b>	<b>4,284,879</b>	<b>1,049,310</b>	<b>1,649,542</b>	<b>67,255,028</b>	
<b>2018 Net book value</b>	\$ 6,483,052	17,254,375	38,123,585	4,617,890	1,123,352	610,549		<u>68,212,803</u>

Included in building is a capital lease for a building with a cost of \$9,039,500 (2018 - \$9,039,500), accumulated amortization of \$221,687 (2018 - \$NIL) and net book value of \$8,817,813 (2018 - \$9,039,500.)

**TOWN OF PONOKA**  
**Schedule 3**  
**Schedule of Property Taxes & Other Taxes**  
**for the Year Ended December 31, 2019**

	Budget (Unaudited)	<b>2019</b>	2018
<b>Taxation:</b>			
Real property taxes	\$ 8,961,730	<b>9,018,377</b>	8,914,548
Linear property taxes	150,000	<b>138,331</b>	145,433
Government grants in place of property taxes	40,000	<b>40,675</b>	38,202
Special assessments and local improvement taxes	-	-	457,268
	9,151,730	<b>9,197,383</b>	9,555,451
<b>Requisitions:</b>			
Alberta School Foundation Fund	2,348,000	<b>2,400,806</b>	2,345,794
Rimoka Foundation	86,000	<b>85,935</b>	85,000
Designated Industrial Properties	-	-	370
	2,434,000	<b>2,486,741</b>	2,431,164
<b>Net Municipal Taxes</b>	<b>\$ 6,717,730</b>	<b>6,710,642</b>	7,124,287

**TOWN OF PONOKA**  
**Schedule 4**  
**Schedule of Government Transfers**  
**for the Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018
<b>Transfers for Operating:</b>			
Provincial Government	\$ 883,870	<b>914,465</b>	947,956
Local Governments	325,800	<b>320,980</b>	320,980
	1,209,670	<b>1,235,445</b>	1,268,936
<b>Transfers for Capital:</b>			
Federal Government	-	-	-
Provincial Government	5,930,122	<b>2,676,161</b>	1,337,256
	5,930,122	<b>2,676,161</b>	1,337,256
<b>Total Government Transfers</b>	<b>\$ 7,139,792</b>	<b>3,911,606</b>	2,606,192

**TOWN OF PONOKA**  
**Schedule 5**  
**Schedule of Consolidated Expense by Object**  
**For the Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	\$ 6,435,382	<b>5,923,230</b>	5,657,471
Contracted and general services	8,544,426	<b>7,340,967</b>	7,255,616
Materials, goods and utilities	3,122,572	<b>2,835,157</b>	2,860,838
Provision for allowances	15,000	<b>15,000</b>	24,932
Transfer to other governments	-	-	-
Transfer to boards and agencies	650,459	<b>819,295</b>	619,038
Bank charges and short-term interest	13,500	<b>15,872</b>	15,884
Interest on long term debt	251,000	<b>250,099</b>	260,295
Interest on capital lease	-	<b>493,420</b>	136,090
Other expenses	74,805	<b>78,460</b>	139,441
Amortization of tangible capital assets	2,513,600	<b>2,305,252</b>	2,109,127
Loss (gain) on disposal of tangible capital assets	-	<b>220,282</b>	107,619
Writedown on tangible capital assets	-	<b>848,882</b>	-
	\$ 21,620,744	<b>21,145,916</b>	19,186,351

**TOWN OF PONOKA**  
**Schedule 6**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2019**

	General Government	Protective Services	Public Works	Community Services	Planning & Development	Recreation & Culture	Environmental Services	Electrical	Total
<b>Revenue</b>									
Net Municipal taxes	\$ 6,710,642	-	-	-	-	-	-	-	<b>6,710,642</b>
Government transfers	235,198	464,785	1,612,593	297,939	81,121	657,062	562,908	-	<b>3,911,606</b>
User fees and sales of goods	42,165	40,941	5,251	29,857	19	148,383	4,513,035	3,557,966	<b>8,337,617</b>
Investment income	229,607	-	-	-	-	-	-	-	<b>229,607</b>
Contributed assets	-	-	-	-	-	-	-	-	<b>-</b>
Other revenues	994,478	112,543	-	7,795	127,415	310,086	9,502	18,510	<b>1,580,329</b>
	<b>8,212,090</b>	<b>618,269</b>	<b>1,617,844</b>	<b>335,591</b>	<b>208,555</b>	<b>1,115,531</b>	<b>5,085,445</b>	<b>3,576,476</b>	<b>20,769,801</b>
<b>Expenses</b>									
Contract & general services	882,594	1,727,871	1,003,071	56	226,867	321,992	1,024,836	2,153,680	<b>7,340,967</b>
Salaries & wages	1,709,482	255,755	1,439,146	-	182,505	1,207,789	531,133	597,420	<b>5,923,230</b>
Goods & supplies	295,961	33,408	397,279	7,445	3,727	417,592	1,443,250	236,495	<b>2,835,157</b>
Transfers to local boards	-	-	-	368,048	-	451,247	-	-	<b>819,295</b>
Interest & bank charges	504,218	-	218,467	-	-	3,232	33,474	-	<b>759,391</b>
Other expenses	249,004	-	(404,811)	14,702	10,247	926,724	228,391	138,366	<b>1,162,623</b>
	<b>3,641,259</b>	<b>2,017,034</b>	<b>2,653,152</b>	<b>390,251</b>	<b>423,346</b>	<b>3,328,576</b>	<b>3,261,084</b>	<b>3,125,961</b>	<b>18,840,663</b>
Net revenue (expense) before amortization	4,570,831	(1,398,765)	(1,035,308)	(54,660)	(214,791)	(2,213,045)	1,824,361	450,515	<b>1,929,138</b>
Amortization expense	253,897	37,078	954,213	3,643	39,086	397,622	545,517	74,197	<b>2,305,253</b>
<b>Net Revenue (expense)</b>	<b>\$ 4,316,934</b>	<b>(1,435,843)</b>	<b>(1,989,521)</b>	<b>(58,303)</b>	<b>(253,877)</b>	<b>(2,610,667)</b>	<b>1,278,844</b>	<b>376,318</b>	<b>(376,115)</b>

## **TOWN OF PONOKA**

### **Notes to Financial Statements December 31, 2019**

#### **NOTE 1 - Significant Accounting Policies**

The consolidated financial statements of the Town of Ponoka are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public-Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada (CPA Canada). Significant aspects of the accounting policies adopted by the Town of Ponoka are as follows:

#### **Reporting Entity:**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in fund balances and change in financial position of the reporting entity. This entity is comprised of all the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Ponoka Water and Wastewater Systems  
Ponoka Electrical System

The schedule of taxes levied also includes requisitions for educational, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

#### **Basis of Accounting:**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

#### **Use of Estimates:**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

## **TOWN OF PONOKA**

### **Notes to Financial Statements December 31, 2019**

#### **NOTE 1 - Significant Accounting Policies (continued....)**

Significant estimates include:

- The net present value of future minimum lease payments of the capital lease
- providing for amortization of tangible capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts; and
- the recoverability of tangible assets.

#### **Cash and temporary investments:**

Cash includes cash and cash equivalents. Cash equivalents are investments in money market funds, bonds and guaranteed investment certificates and are valued at cost plus accrued interest that redeemable or have a maturity date of 12 months or less at acquisition. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

#### **Investments:**

Investments are short-term deposits with original maturities of twelve months or less with redemption beginning thirty days after purchase without penalty. Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

#### **Requisition Over-levies and Under-levies:**

Over-levies and under-levies arise from the difference between the actual property levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

#### **Inventories for Resale:**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as tangible capital assets under their respective function.

#### **Prepaid Local Improvements Charges:**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as a repayment of the local improvement receivable.



**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 1 - Significant Accounting Policies (continued....)**

**Taxes**

Taxes are compulsory payments or payables to government in accordance with laws. Taxes are recognized in the financial statements as revenue in the period in which they are authorized through a Bylaw provided that at initial recognition it is collectible. Tax revenue is presented net of requisitions since the requisitions levied on behalf of others will not give rise to an increase to net assets or revenue of the Town and are treated as a flow through.

**Contaminated Sites Liability:**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognised when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**Government Transfers:**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**Non-Financial Assets:**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

**a. Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Buildings and leasehold improvements	10 - 50
Engineered structures	
Road System	10 - 40
Distribution Systems	40 - 75
Other engineered structures	10 - 75
Machinery and equipment	10 - 25
Vehicles	10 - 25

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 1 - Significant Accounting Policies (continued....)**

There is no provision for amortization in the year of acquisition. Amortization is calculated in the year in which the asset is disposed. Assets under construction are not amortized until the asset is available for productive use.

**b. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are recorded as revenue.

**c. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**d. Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

**e. Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed

**Recent accounting pronouncements published but not yet adopted**

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

**Section PS 3450 - Financial Instruments**

The new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2019.

**Section PS 3280 – Asset Retirement Obligations**

This new section establishes standards on how to account and report a liability for asset retirement obligations (ARO). This Section identifies the main attributes of an ARO and provides guidance on how to establish the fair value of the ARO. This standard is effective for fiscal periods beginning on or after April 1, 2021. Early adoption is permitted.

**Section PS 3430 - Restructuring Transactions**

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted.

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 1 - Significant Accounting Policies (continued....)**

**Section PS 3400 – Revenue**

This new section establishes standards on how to account for and report on revenue. This section differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The new section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted

**NOTE 2 - Cash and Term Deposits**

---

	<b>2019</b>	2018
Cash on hand	\$ 1,707	1,707
General bank accounts	<b>5,905,326</b>	3,951,173
Temporary investments	<b>6,000,000</b>	6,000,000
	<b>\$ 11,907,033</b>	9,952,880

---

Included in cash are funds designated as restricted for deferred revenues in the amount of \$2,999,597 (2018 - \$1,157,943).

Temporary investments comprise of various GIC's with an effective interest rate of 1.97% to 2.25%. All GIC's mature within the next fiscal year.

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 3 – Receivables**

**Taxes receivable**

	<b>2019</b>	2018
Current taxes and grants in place of taxes	\$ 200,413	209,255
Arrears taxes	105,275	175,236
	<b>305,688</b>	384,491
Requisition under levy	100,991	-
Less allowance for doubtful accounts	(7,242)	(7,242)
	<b>\$ 399,437</b>	377,249

**Local improvement taxes receivable**

	<b>2019</b>	2018
Current portion of local improvement taxes	\$ 179,414	190,142
Non-current portion	741,882	910,568
Less: prepaid amount	(153,116)	(149,237)
	<b>\$ 768,180</b>	951,473

**Trade and other receivables**

	<b>2019</b>	2018
General receivables	\$ 471,352	496,127
Government transfers receivable	-	2,504,349
Electrical receivables	566,863	498,298
Non-current portion of electrical receivables	66,230	115,800
Utility receivables	343,044	348,748
Allowance for doubtful accounts	(25,520)	(10,109)
	<b>\$ 1,421,969</b>	3,953,213

**NOTE 4 - Long Term Investments**

	<b>2019</b>	2018
Alberta Municipal Finance Corporation shares	\$ 40	40

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 5 - Deferred Revenue**

---

	<b>2019</b>	2018
Municipal Sustainability Grant	\$ 2,188,212	3,321,137
Gas Tax Fund	782,055	336,041
MCTP Grant	18,521	-
Other deferred revenues	10,809	-
	<b>\$ 2,999,597</b>	<b>3,657,178</b>

---

Funding received from the various grant programs noted above are restricted to eligible operating and capital projects as approved in the funding agreements.

**NOTE 6 - Employee Benefit Obligations**

---

	<b>2019</b>	2018
Vacation	\$ 224,093	181,101
Overtime	8,289	3,005
	<b>\$ 232,382</b>	<b>184,106</b>

---

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 7 – Long Term Debt**

	<b>2019</b>	2018
Tax supported debentures	\$ <b>5,884,478</b>	6,287,520
Self supported debentures	<b>453,661</b>	565,352
	\$ <b>6,338,139</b>	6,852,872

Principal & Interest for the next five years and to maturity are as follows:

	Principal	Interest	Total
2020	\$ 334,592	229,588	564,180
2021	349,735	214,415	564,150
2022	244,221	198,541	442,762
2023	192,874	190,022	382,896
2024	187,433	183,145	370,578
Thereafter	5,029,284	2,995,260	8,024,544
Total	\$ 6,338,139	4,010,971	10,349,110

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.899% to 6.50% per annum and matures in years 2021 through 2056. The average annual interest rate is 3.79% for 2019 (3.79% for 2018).

Debenture debt is issued on the credit and security of the town at large.

Interest on long term debt amounted to \$250,099 (2018 - \$260,295).

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 8 – Obligation under Capital Lease**

---

	2019	2018
Capital lease for Civic Centre requiring monthly lease payments for basic rent of \$58,333 (\$700,000 per annum) with an implicit rate of 6.070% per annum.	<b>\$ 8,780,593</b>	8,942,257

---

Future minimum capital lease payments are approximately

2020	\$ 700,000
2021	700,000
2022	700,000
2023	700,000
2024	700,000
Thereafter	13,766,667
<hr/>	
Total minimum lease payments	17,266,667
Less: amount representing interest at 6.070%	(8,486,074)
<hr/>	
Present value of minimum lease payments	8,780,593
Less: current portion	(171,754)
<hr/>	
Non-current portion	\$ 8,608,839

---

**Lease Terms**

The capital lease obligation has an implicit rate of 6.070% and is subject to the following terms:

- a) Initial term is for 10 years with a basic rent of \$700,000 per annum
- b) Renewal Period: 3 successive five-year renewal periods at the Town's option. Should the Town not renew the lease they are required under the lease to purchase the building from the landlord. Basic rent will be adjusted on each renewal period to mutually agreed market rates.
- c) The Town has the option to purchase the building at appraised value at any time during the lease period.

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 8 – Obligation under Capital Lease (continued....)**

Obligation related to Executory Costs

Under the lease agreement the Town is contractually obligated to pay executory costs as additional rent in the amount of \$377,720 per annum. The executory costs include administration, maintenance, power and janitorial. They do not include property taxes as the Town leased portion of the building is exempt from property taxes. The executory costs are adjusted annually in December.

Recoveries from Sub-Let portion of leased space

The Town has sublet a portion of the space to Campus Alberta Central for a five-year term for a rent revenue of \$125,000 per annum. The sublessor has an option to extend for another 5 years at their discretion. A prorated share of executory costs noted above incurred by the Town are recovered from the sublessor.

**NOTE 9 - Debt Limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Ponoka be disclosed as follows:

	<b>2019</b>	2018
Total debt limit	\$ <b>27,128,460</b>	27,153,713
Total debt	<b>15,118,732</b>	15,795,129
Amount of debt limit unused	\$ <b>12,009,728</b>	11,358,584
Debt servicing limit	\$ <b>4,521,410</b>	4,525,619
Debt servicing	<b>1,264,180</b>	1,464,832
Amount of debt servicing limit unused	\$ <b>3,257,230</b>	3,060,787

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt services limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.



**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 10 - Equity in Tangible Capital Assets**

---

	<b>2019</b>	2018
Tangible capital assets (Schedule 2)	\$ <b>122,581,299</b>	121,023,270
Accumulated amortization (Schedule 2)	<b>(55,326,271)</b>	(52,810,467)
Long term debt (Note 7)	<b>(6,338,139)</b>	(6,852,872)
Obligation under capital lease (Note 8)	<b>(8,780,593)</b>	(8,942,257)
	<b>\$ 52,136,296</b>	52,417,674

---

**NOTE 11 - Accumulated Surplus**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows

---

	<b>2019</b>	2018
Unrestricted surplus	\$ <b>3,913,808</b>	4,778,498
Restricted surplus		
Transportation and roads	<b>1,203,188</b>	1,144,493
General	<b>2,331,005</b>	2,730,004
Distribution system	<b>3,236,154</b>	2,125,897
Equity in tangible capital assets	<b>52,136,296</b>	52,417,674
	<b>\$ 62,820,451</b>	63,196,566

---

**NOTE 12 - Segmented Disclosure**

The Town of Ponoka provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 13 - Salary and Benefits Disclosure**

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

		Salary <sup>(a)</sup>	Benefits & Allowances <sup>(b)+(c)</sup>	<b>2019</b>	2018
<b>Mayor</b>					
	Bonnett	\$ 40,701	1,904	<b>42,605</b>	41,853
<b>Councillors:</b>					
	Councillor Lyon	24,035	1,054	<b>25,089</b>	18,289
	Councillor Prediger	22,386	970	<b>23,356</b>	19,515
	Councillor Underhill	21,286	914	<b>22,200</b>	25,878
	Councillor Dillon	23,675	1,036	<b>24,711</b>	22,631
	Councillor Ferguson	25,943	1,151	<b>27,094</b>	22,332
	Councillor Nelson	19,100	802	<b>19,902</b>	25,570
<b>Chief Administrative</b>					
	Flootman, Albert	\$ 166,058	26,075	<b>192,133</b>	185,088

- a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration
- b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, professional memberships and tuition.
- c) Benefits and allowances also include the Employer's share of the costs of additional taxable benefits including special leave with pay and car allowances.

## **TOWN OF PONOKA**

### **Notes to Financial Statements December 31, 2019**

#### **NOTE 14 - Local Authorities Pension Plan**

Employees of the Town of Ponoka participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 260,000 people and 420 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year they become due.

The town is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current and past service contributions by the town to the LAPP in 2019 were \$362,652 (2018 - \$382,871). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2019 were \$341,963 (2018 - \$349,637).

At December 31, 2018, the plan disclosed an actuarial surplus of \$ 3.5 billion.

#### **NOTE 15 – Contingent Liabilities**

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

#### **NOTE 16 – Commitments**

The Town of Ponoka and Ponoka County through a joint agreement provide funds for the operation of Ponoka Family and Community Support Services (FCSS). The amounts reported in this financial statement represent only the Town of Ponoka share of contributions to FCSS.

#### **NOTE 17 - Financial Instruments**

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to full fill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

The Town is subject to interest rate risk related to its interest-bearing temporary investments and fixed rate debentures, as the value will fluctuate because of changes in market rates.

**TOWN OF PONOKA**

**Notes to Financial Statements  
December 31, 2019**

**NOTE 18 – Subsequent Events**

Subsequent to the end of the period the spread of the Coronavirus (COVID-19) triggered a public health emergency in the Province of Alberta and around the world. For many organizations and businesses this has led to the disruption of the operations and in some instances, temporary closure. This event could cause significant changes to the assets and/or liabilities of the municipality in the subsequent period and may have a significant financial effect on its future operations. An estimate of the financial effect to the municipality cannot be made at this time.

**NOTE 19 - Comparative Figures**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**NOTE 20 - Approval of Financial Statements**

Council and Management have approved these financial statements.